



## AUDIT COMMITTEE REPORT

**Mr. Kanit Si**

Chairman of the Audit Committee



### Dear Shareholders

Appointed by the Board of Directors (the Board), the current Audit Committee consists of three independent directors, chaired by Mr. Kanit Si, with Associate Professor Dr. Pasu Decharin and Mr. Prapaisith Tankeyura serving as members. All members command expertise and experience in finance and accounting, business administration, organizational management, corporate governance, law, economics, proficiency in energy affairs, petroleum, petrochemical, and engineering as well as Information Technology (IT) and digital technology. The Audit Committee's composition and the members' qualifications are considered suitable for reviewing financial statements' credibility against the requirements of Thailand Securities and Exchange Commission (SEC) and Stock Exchange of Thailand (SET).

The Committee independently executed Board-assigned and charter duties, which conform to the requirements and best practices for audit committees according to SEC and SET. This year, the Committee held eight

meetings, including consultation with the executives, the internal auditor, and the external auditor.

In addition, the Committee held one non-executive meeting with the new external auditor appointed by the shareholders in the Annual General Meeting of Shareholders (AGM) in April 2019 for unrestricted consultation on the external auditor's work, audit plans, the internal control system related to financial statements audit, cooperation with the executives, and its collaboration with the Audit Committee and Corporate Internal Audit Department.

The highlights of this year performance are as follows:

#### 1. Financial Statements:

Collaborating with the external auditor and relevant members of the executives, the Committee reviewed the quarterly and annual financial statements for Thaioil and the consolidated financial statements. It also examined information disclosure and the external auditor's focus on Key Audit Matters (KAMs) indicated in the auditors'

report. To this end, the Committee inquired and reviewed the credibility of estimated figures, the management's assumptions requiring discretion, display of transactions, and the impacts of financial reporting standard changes. This is to ensure that the financial statements preparation complies with legal requirements and financial reporting standards and that the financial statements are accurate, credible, and useful for related stakeholders. The auditor has performed the auditing work and provided unqualified opinions.

## **2. Connected Transactions:**

In reviewing connected transactions or those posing potential conflicts of interest with that of Thairoil and Subsidiaries under SET's and SEC's announcements, the Committee concluded that Thairoil and Subsidiaries had observed regular business practices, fairness and sensibility in the best interests of Thairoil and its shareholders. Such transactions had secured the approval of the executives or the Board before their execution and were promptly disclosed to SET.

## **3. Review of Compliance with Laws, Corporate Governance, Risk Management, and Internal Control:**

The Committee valued the management for systematic corporate governance, transparent transaction, as well as legal and related regulations compliance. Cooperating with the executives and external auditors, the Committee reviewed the efficiency and effectiveness of corporate governance, risk management, and internal control processes. It also examined the report of the risk management outcomes provided by risk management and internal control units; the report on legal and related regulations compliance by Regulatory Compliance Department; and the report on internal audit outcomes provided

by Corporate Internal Audit Department. The Committee encouraged Thairoil to monitor the draft legislation under deliberation that could impact the Company so as to be fully prepared before its promulgation; focusing on proactive participation in hearing relevant discussions and expressing views before the promulgation. The Committee also encouraged the review and communication of complaint-handling and whistleblowing measures to ensure their clarity and suitability. The Committee also emphasized the cultivation of the awareness of internal control, and prioritized the creation of the control self-assessment forms before developing such forms to be used among affiliates. The Committee prioritized the Three Lines of Defense and the Integrated Governance, Risk and Compliance (GRC) to ensure the integration of proactive prevention, covering Procure to Pay, IT General Control, Order to Cash, and Payroll processes. The SAP GRC system was used to screen and continually monitor irregularities and prevent fraud. The Audit Committee also endorsed the outcomes of system adequacy, assessment against SEC's requirements, stating that Thairoil indeed commanded a suitable and adequate internal control system. Finally, it reviewed CAC self-assessment outcomes for anti-corruption under the CG Code for Listed Companies, which illustrated Thairoil's firm commitment to anti-corruption.

## **4. Internal Audit:**

Besides the review of strategic plans, annual and long-term audit plans, executions in accordance with plans, audit outcomes, and follow-ups as well as improvements of significant issues, the Committee pushed for the development and upgrading of Thairoil's internal audit through audit assurance, advice, and

proactive work. This was, in particular, applied with the Clean Fuel Project (CFP) which is highly critical for the Company's business, the Committee focused on internal audit's proactive work with an emphasis on the hiring and procurement process by providing the working team comments and advices which can be immediately implemented to correct defects. Furthermore, the Committee prioritizes safety during CFP construction, especially in the years 2020-2021 which will be conducted the current process site, employees and contractors must strictly comply with work rules, undergo due training, and be aware of safety requirements at all times. The internal audit must work closely with the CFP team to ensure constant manpower preparedness and continuous staff competence for auditing efficiency and effectiveness. The Committee also advocated the applying of digitalization to the audit work leading to the audit automation; steered internal audit's quality assessment; and the acquirement of auditor certification for personnel to enhance professionalism that keeps abreast of professional standard shifts. Finally, the Committee annually appraised the performance of Vice President Corporate Internal Audit.

#### 5. Appointment of the External Auditor for 2020 and Approval for Audit Fee:

In selecting the external auditor, the Committee considered performance records, experience, audit fees, and compliance with SEC's announcements. The Committee resolved to nominate PricewaterhouseCoopers ABAS Ltd. (PwC) for the Board's endorsement to propose in 2020 AGM for shareholders' approval.

In conclusion, this year the Audit Committee executed its charter duties and responsibilities with diverse expertise, prudence, and freedom while providing creative views

and advices. It concluded Thailoil and Subsidiaries value efficient and effective business conduct, prepare credible and material financial statements aligning with financial reporting standards, complete an adequate disclosure of connected transactions with potential conflicts of interest, and command a sound corporate governance, a sufficient risk management, and a suitable and adequate internal control process. Thailoil and Subsidiaries fully comply with applicable laws and regulations. Singling out CFP for its massive value and business importance, the Committee stressed righteousness and transparency as well as avoidance of delays or budget repercussion. CFP safety remained at the forefront; related employees and contractors must undergo training, be aware of safety requirements and observe safety procedures as professionals do, to keep the project going in an efficient manner and fulfill Thailoil's objective. Finally, the Board's view of the Audit Committee's performance was that it was regarded as a Level 5 (Exemplary).

The Audit Committee noted that this year it received excellent cooperation from the Board of Directors, the executives, the external auditor, and all relevant units.

February 14, 2020

On behalf of the Audit Committee

(Mr. Kanit Si)

Chairman of the Audit Committee  
Thai Oil Public Company Limited